**Unit 8: Money Makes the World Go Round**

**I Can…**

• I can compare how governments and individuals make decisions in different types of economies: traditional, command, market, mixed.

• I can explain how the different economic systems relate to different economic philosophies: Communism, Capitalism, Socialism, and Keynesian Theory of Mixed Economies.

• I can explain the reasons why nations trade

• I can explain how international trade creates interdependence among nations.

• I can determine the positive and negative consequences of trade relationships.

• I can explain how comparative advantage leads to specialization among countries

• I can explain how political events can affect a country’s decision to trade with another nation.

• I can explain the reason behind government’s protectionist policies.

• I can define the various forms of protectionism: subsidies, tariffs, sanctions, embargos, and quotas.

• I can explain America’s role in the world economy by defining which exports are our most profitable.

• I can explain North Carolina’s role in the world economy by defining which exports are our most profitable.

• I can describe the functions of the different world trade organizations.

• I can describe the effects of the world trade organizations’ policies on the U.S. economy.

Essential Standards:

FP.E.1.1 Compare how individuals and governments utilize scarce resources (human, natural and capital) in traditional, command, market and mixed economies.

FP.E.2.1 Explain the basic concepts of trade (e.g., including absolute and comparative advantage, exchange rates, balance of trade, gains from trade, etc.).

FP.E.2.2 Summarize how nations specialize and become interdependent through trade (e.g., trade restrictions and government policy).

FP.E.2.3 Explain the impact of government policies on international trade (e.g., tariffs, quotas, sanctions, subsidies, banking, embargos, etc.).

FP.E.2.4 Analyze the role of North Carolina and the US in the world economy (e.g., furniture industry, tourism, fishing, etc.).

FP.E.3.3 Analyze organizations in terms of their roles and functions in the United States economy (e.g., banks, labor unions, Federal Reserve, nonprofit organizations and cooperatives, Wall Street, etc.).

**Content:**

 Economic systems

 Specialization and interdependence

 Balance of trade

 Free trade and trade barriers

**Preview Questions:**

1. What types of economy does the US have and is it better or worse than other countries? How so?

2. Where is most of our clothing made? Why?

3. Why does the US trade with other countries? Could we survive on our own?

4. What is the difference between developed and developing countries?

5. Explain a situation in which you used bartering rather than money to obtain a good or service.

6. How does globalization and being part of the international marketplace affect your daily life?

7. How do you feel about outsourcing?

**Essential Question:**

How does scarcity create an interdependent global economy?

Unit 8: Made in China

Concept: Interdependence

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| **Business Organizations****Sole Proprietorships:****Examples:**

|  |  |
| --- | --- |
| **Advantages** | **Disadvantages** |
|  |  |

**Partnerships:****Examples:**

|  |  |
| --- | --- |
| **Advantages** | **Disadvantages** |
|  |  |

**Corporations:****Examples:**

|  |  |
| --- | --- |
| **Advantages** | **Disadvantages** |
|  |  |

Role of MoneyFiat MoneyGold StandardRole of BanksRole of IndustryNC IndustryRTPGovernment Intervention in the Economy**Agencies that Monitor the Economy**

|  |  |  |
| --- | --- | --- |
| FDIC | SEC | Federal Reserve |

To try to influence control the business cycle… The Federal Reserve uses Monetary Policy**Goal:** Examples:

|  |  |
| --- | --- |
| Action | Effect:Does it increase or decrease the supply of money? |
| Increase discount rate |  |
| Decrease discount rate |  |
| Increase reserve requirement |  |
| Decrease reserve requirement |  |
| Purchase government bonds |  |
| Sell government bonds |  |

Loose Money PolicyTight Money PolicyTo try to influence control the business cycle, Congress uses Fiscal Policy**Goal:** Examples:* **Cutting taxes.** What effect does this have?
* **Increasing government spending.** What effect does this have?

**Contractionary Policy****Expansionary Policy****Deficit Spending**What is a stimulus bill?**Economic Interdependence*** We live in a world that is increasingly **interdependent**, in other words …
* We live in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economy in which we engage in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for nearly all goods and services.

|  |  |
| --- | --- |
| **Advantages:** | **Disadvantages:** |
|  |  |

 | **On the Side…**1. |
| **Globalization**What is globalization?

|  |  |  |
| --- | --- | --- |
| Developed Countries | Developing Countries | Least Developed Countries |
|  |  |  |

How does globalization have an impact on the Environment? Culture?**Trade**ImportExportFavorable Balance of TradeUnfavorable Balance of TradeAbsolute AdvantageComparative Advantage**Interdependent Economies** **Benefits Negatives**Outsourcing  Trade AgreementsFree TradeProtectionismTrade BarriersDefine these trade barriers and tell the goal or result of their use. How can these affect manufacturing in a country?

|  |  |  |
| --- | --- | --- |
|  | Definition | What is the goal / desired result? |
| Embargo |  |  |
| Tariff |  |  |
| Quota |  |  |
| Cartel |  |  |

Trade

|  |
| --- |
| 1 Euro = 1.38 U.S. Dollars(as of March 6, 2014 3:47 pm) |
|  |

 * “Strong Dollar”=
* “Weak Dollar”=

What do the following multinational organizations do? Why have them (benefits and disadvantages)?

|  |  |  |
| --- | --- | --- |
| Organization Description | Benefits | Disadvantages |
| NAFTA |  |  |
| EU |  |  |
| OPEC |  |  |
| WTO |  |  |
| World Bank |  |  |
| International Monetary Fund |  |  |

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**THE ROLE OF THE WTO**

Headquarters: Geneva Membership: 135 countries

History: Successor to the General Agreement on Tariffs and Trade formed in 1947. Once limited to goods, the WTO's purview has been extended to include intellectual property and trade in services. The organization's task is to administer and enforce the trade agreements made by member nations, ensuring freer flow of goods and services. Its rulings are law among members.

TALKING TRADE: NEGOTIATING A WORLD FULL OF CONFLICTS

Scenario 1 PLAYERS: Europe and Japan vs. the U.S. and the Third World

THE ISSUE: European and Japanese farmers are swaddled in subsidies. The U.S. and the Third World want access to those markets. Europe and Japan say the U.S. also aids farmers; they oppose the U.S.'s genetically modified food.

THE LIKELY OUTCOME:

Scenario 2 PLAYERS: The U.S. and the European Union vs. the Third World

 THE ISSUE: Low-cost Third World labor, which threatens jobs here. The U.S. proposes a WTO study group on labor issues. Some European Union countries are supportive. Developing nations don't want outside interference in their labor markets.

THE LIKELY OUTCOME:

Scenario 3 PLAYERS: The U.S. and E.U. vs. the Third World

THE ISSUE: The U.S. and E.U. want to enforce environmental pacts--such as a treaty restricting endangered-species trade--without WTO challenge. But the U.S. seeks to slash wood tariffs, thus increasing deforestation. Third World opposes "enviro" restrictions.

THE LIKELY OUTCOME:

Scenario 4 PLAYERS: The U.S. vs. everyone else

THE ISSUE: The U.S. wants to slash barriers to several key industries, including health care, banking, education, insurance and e-commerce. But a huge battle looms.

THE LIKELY OUTCOME:

Scenario 5 PLAYERS: U.S. vs. Japan and the Third World

THE ISSUE: U.S. laws block countries from "dumping" subsidized products--steel, semiconductors, textiles--on the American market. Third World nations say the laws are protectionist and U.S. should import more.

THE LIKELY OUTCOME:

Ask Ms. Peterson for the other activities that complete the packet.